

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1788 – SB 1919

February 20, 2018

SUMMARY OF ORIGINAL BILL: Increases the cash award for the employee suggestion award program from a maximum of 10 percent of the first year's estimated savings or \$10,000, whichever is less, to 15 percent of the annual savings realized in a fiscal year for a period of three fiscal years following the year in which the suggestion was made. Requires the Employee Suggestion Award Board to promulgate rules to develop criteria for the development and implementation of an electronic mail notification, to transmit to all state government employees, information on the employee suggestion award program.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Due to multiple unknown factors, a precise fiscal impact in any given year cannot be quantified with certainty. However, it is reasonably estimated that, over any five-year period, any increase in state expenditures resulting from additional cash awards paid to state employees will be sufficiently offset by decreases in state expenditures realized from additional employee suggestions.

SUMMARY OF AMENDMENT (013053): Deletes and rewrites all language after the enacting clause such that the only substantive changes are to: (1) establish that the proposed cash award of 15 percent is limited to the first fiscal year following the fiscal year in which the suggestion is made, rather than to a period of three fiscal years as proposed by the original legislation; (2) require any cash award over \$50,000 to be spread over 3 years following the fiscal year in which the suggestion is made; and (3) establish that the employee who is entitled to an award that is spread over three years forfeits the remaining award upon leaving state service.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Under current law, pursuant to Tenn. Code Ann. § 4-27-105(a), the maximum cash award for the program is limited to 10 percent of the first year's estimated savings or \$10,000, whichever is less. The Board is, however, authorized to increase the maximum

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amount of the award for suggestions that result in extraordinary amounts of savings. Cash awards that have a first year's estimated savings of less than \$250 will be \$25. Any cash award is to be charged against the appropriation item or items to which estimated savings apply.

- The proposed legislation would increase the cash award to 15 percent of the annual savings realized in a fiscal year. The provision establishing that \$25 cash awards resulting from a first year's estimated savings of less than \$250 is repealed under this legislation.
- According to the Department of Human Resources, the Board has awarded a total of \$40,684 from 2012 through 2017 (\$35,319 in 2012; \$5,365 in 2017). No awards have been approved for the 2013 through 2016 time period.
- The awards from the 2012 through 2017 time period were based on total savings of \$513,776 (\$460,122 in 2012; \$53,654 in 2017).
- For the purposes of this fiscal analysis, the average annual award under current law is estimated to be \$6,781 (\$40,684 / 6 years). The average annual savings are estimated to be \$85,629 (\$513,776 / 6 years).
- Increasing the cash award to 15 percent of the annual savings is estimated to result in annual awards of \$12,844 (\$85,629 x 15%), for a recurring increase in state expenditures of \$6,063 (\$12,844 - \$6,781).
- Due to the relative inconsistency in the number of suggestions received and cash awards approved in any given year, the magnitude of realized savings and associated awards relative to such suggestions, and the extent to which this legislation will incentivize additional suggestions to be submitted leading to additional savings to the state, a precise fiscal impact in any given year cannot be quantified with certainty. However, it is reasonably estimated that, over any five-year period, savings realized from additional employee suggestions will at least offset any additional state expenditures incurred from increased cash awards to state employees.
- The Board will not realize a significant increase in expenditures to promulgate rules to develop criteria for the development and implementation of an electronic mail notification, to transmit to all state government employees, information on the employee suggestion award program.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee" followed by a small, stylized monogram or initials "RNC".

Krista M. Lee, Executive Director

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